

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0091-01
Bill No.: SB 205
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Dept
Type: Original
Date: February 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$820,854)	(Could Exceed \$820,854)	(Could Exceed \$820,854)
Total Estimated Net Effect on General Revenue Fund*	(\$820,854)	(Could Exceed \$820,854)	(Could Exceed \$820,854)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
State School Moneys Fund	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*FY 05 and FY 06 amounts could exceed FY 04 if the cumulative CPI percentage increase is more than the growth in the foundation formula calculation.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School Districts*	\$820,854	Could Exceed \$820,854	Could Exceed \$820,854

*FY 05 and FY 06 amounts could exceed FY 04 if the cumulative CPI percentage increase is more than the growth in the foundation formula calculation.

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposed legislation modifies Section 163.031 by increasing the minimum payment to a school district through the foundation formula. With this proposal no district identified as a hold harmless district is to receive less per eligible pupil than the 2001-02 amount per eligible pupil increased by the cumulative consumer price index since that time. The Consumer Price Index - All Urban Consumers, as published by the Bureau of Labor Statistics reflects an annual change from 177.01 for 2001 to 179.9 for 2002. This is a change of 1.58% (2.8 divided by 177.1).

To estimate the fiscal impact of this proposal as if it had been in place in FY 2003, these steps were followed:

- a) Identified the FY 2003 hold harmless districts
- b) Increased the 2001-02 amount per eligible pupil by 1.58%;
- c) If (b) was greater than the actual January, 2003 (FY 2003) payment amount per eligible pupil, then calculated the increase per eligible pupil;

LMD:LR:OD (12/02)

ASSUMPTION (continued)

- d) Determined whether the district's operating levy for school purposes was at least \$2.75;
- e) If (d) was at least \$2.75, then multiplied the result of (c) by the number of eligible pupils on which each district was paid in January, 2003;
- f) Summed (e) to estimate total cost if provision had been in effect in FY 2003.

The result of the process yielded a cost of \$820,854 if this provision had been in place in FY 2003.

The cost in FY 2004 and future years cannot be projected but may be greater than \$820,854 if the cumulative CPI percentage increase is more than the growth in the foundation formula calculation for these districts.

A proration factor is applied in the formula to distribute the amount appropriated by the legislature. A proration factor has little or no fiscal impact on hold harmless districts. In years that the foundation formula is not fully funded, the non-hold harmless districts (approximately 487) will have reduced funding while the hold harmless districts will have increased funding.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Cost - Increased Transfers to State School Moneys Fund*</u>	(\$820,854)	(Could Exceed \$820,054)	(Could Exceed \$820,054)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$820,854)</u>	<u>(Could Exceed \$820,054)</u>	<u>(Could Exceed \$820,054)</u>

STATE SCHOOL MONEYS FUND

<u>Income</u> - Increased Transfers from General Revenue Fund*	\$820,854	Could Exceed \$820,054	Could Exceed \$820,054
---	-----------	---------------------------	---------------------------

<u>Cost</u> - Increased Distributions to Hold Harmless School Districts*	(\$820,854)	(Could Exceed \$820,054)	(Could Exceed \$820,054)
---	-------------	-----------------------------	-----------------------------

ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
---	-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
---	---------------------	---------	---------

SCHOOL DISTRICTS

<u>Income</u> - Increased State Aid*	\$820,054	Could Exceed \$820,054	Could Exceed \$820,054
--------------------------------------	-----------	---------------------------	---------------------------

ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$820,054</u>	<u>Could Exceed \$820,054</u>	<u>Could Exceed \$820,054</u>
---	-------------------------	--	--

*FY 05 and FY 06 amounts could exceed FY 04 if the cumulative CPI percentage increase is more than the growth in the foundation formula calculation.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

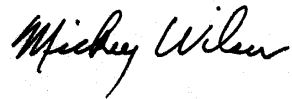
This proposal revises school aid for school districts which are paid based upon the district's 1992-93 per eligible pupil payment amount rather than the payment amount calculated under the current formula (including some portion of Line 14 payment) because the 1992-93 payment amount is greater. Such districts are generally referred to as "hold harmless" districts. This proposal requires districts to have an operating levy of at least \$2.75 in order to receive the hold harmless payment adjustment. This proposal would cause the hold harmless per eligible pupil payment amount to be adjusted, relative to the 1992-1993 school year amount, by the cumulative (CPI) increase from the 2003-04 school year to the current year.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 3, 2003